

Outline of Business Results for the First Half of FY2020

Performance Highlights for FY2020 1H

The Okigin Group recorded net income attributable to owners of the parent of ¥2.1 billion. Ordinary income decreased due to decreases in interest income and fees and commissions. Ordinary profit increased slightly due to reductions in credit-related costs and non-personnel expenses (increased earnings).

FY2020 1H Business Performance

(¥ billion)	Consolidated	Non-consolidated
Ordinary Income	24.5	17.7
Ordinary Profit	3.5	3.1
Net Income	2.1	2.1

* Consolidated net income is net income attributable to owners of the parent

Outline of Results

[Consolidated]	FY19 1H	FY20 1H	YoY change
Ordinary income	25.4	24.5	(0.9)
Ordinary profit	3.5	3.5	0.0
Net income (*)	2.2	2.1	(0.0)

* Net income is net income attributable to owners of the parent

[Non-consolidated]	FY19 1H	FY20 1H	YoY change
Ordinary income	18.0	17.7	(0.3)
Gross business profit	14.7	14.4	(0.3)
Interest income	13.6	13.7	0.1
Gains (losses) on cancellation of investment trusts	0.0	(0.0)	(0.0)
Fees and commissions	0.8	0.7	(0.1)
Other business profit	0.2	(0.0)	(0.3)
Expenses (excluding non-recurrent items)	11.0	11.0	0.0
Personnel expenses	4.7	4.9	0.2
Non-personnel expenses	5.2	5.0	(0.1)
Real net business profit	3.7	3.4	(0.3)
Business profit on core banking operations	3.6	3.6	(0.0)
Excluding gains (losses) on cancellation of investment trusts	3.6	3.6	(0.0)
Provision of general allowance for possible loan losses	0.6	0.1	(0.4)
Net business profit	3.1	3.2	0.1
Non-recurrent items	(0.2)	(0.1)	0.0
Recoveries of written-off claims	0.0	0.0	(0.0)
Net gains (losses) on equity securities	(0.2)	(0.0)	0.1
Bad debt disposal	0.4	0.3	(0.1)
Ordinary profit	2.9	3.1	0.2
Extraordinary gains (losses)	(0.0)	(0.0)	(0.0)
Income before income taxes	2.8	3.0	0.2
Total income taxes and other taxes	0.8	0.9	0.1
Net income	2.0	2.1	0.0

[Non-consolidated]	Target	FY20 1H	Difference
Comparison with Forecast			
Ordinary income	17.3	17.7	0.4
Business profit on core banking operations	2.9	3.6	0.7
Net business profit	3.1	3.2	0.1
Ordinary profit	2.6	3.1	0.5
Net income	1.9	2.1	0.2

Business performance points (Non-consolidated)

Ordinary income

Decreased by ¥0.3 billion year on year to ¥17.7 billion year on year, due to decreases in fees and commissions and other business profit, despite an increase in interest income (decreased revenues).

Business profit on core banking operations

Decreased only slightly year on year to ¥3.6 billion, with an increase in interest income and expenses little changed, despite a decrease in fees and commissions.

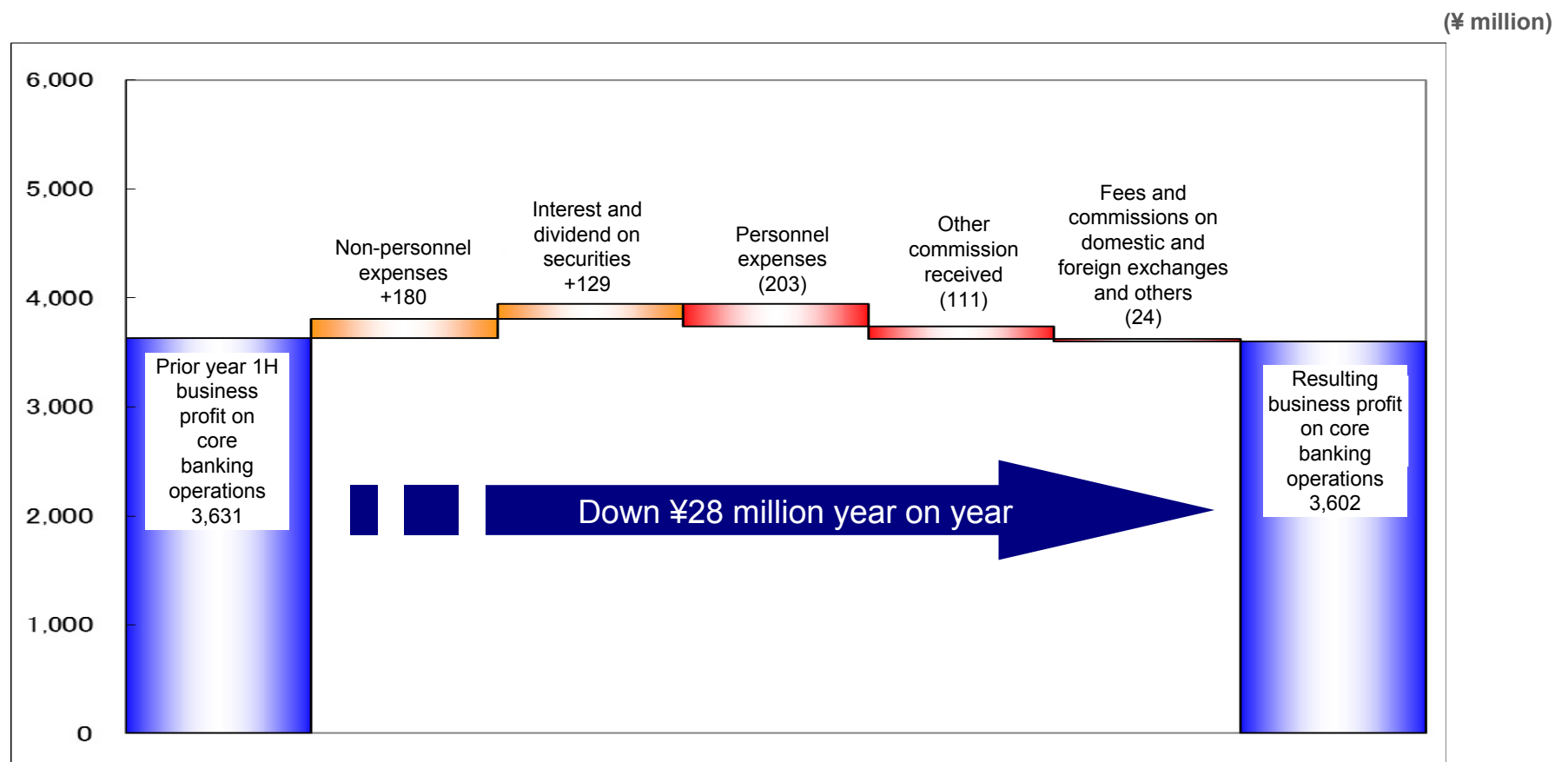
Ordinary profit

Increased by ¥0.2 billion year on year to ¥3.1 billion due to a decrease in credit cost and an improvement in net gains (losses) on equity securities (increased earnings).

Revenues decreased and earnings increased due to the above factors.

Changes in Business Profit on Core Banking Operations

Business profit on core banking operations decreased by ¥28 million year on year, mainly due to an increase in personnel expenses and a decrease in commission received, despite a reduction of non-personnel expenses and increases such as in interest and dividends on securities.



Deposits (Term-End Balance/Average Balance)

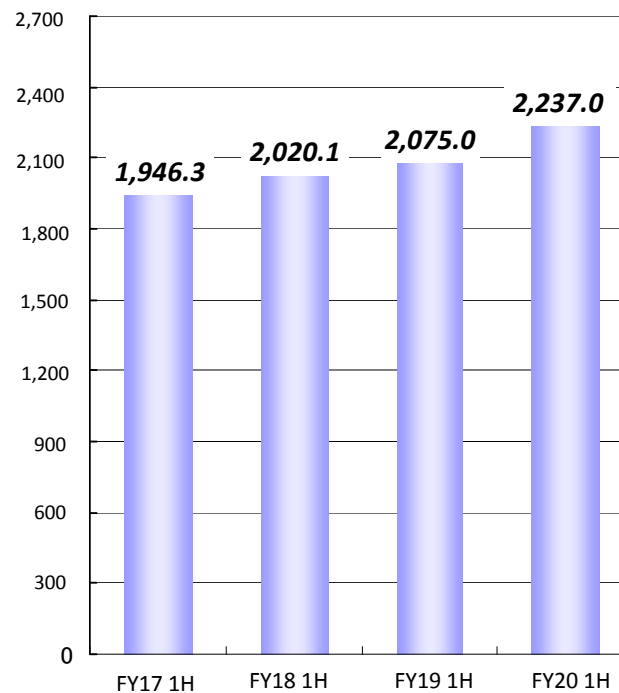
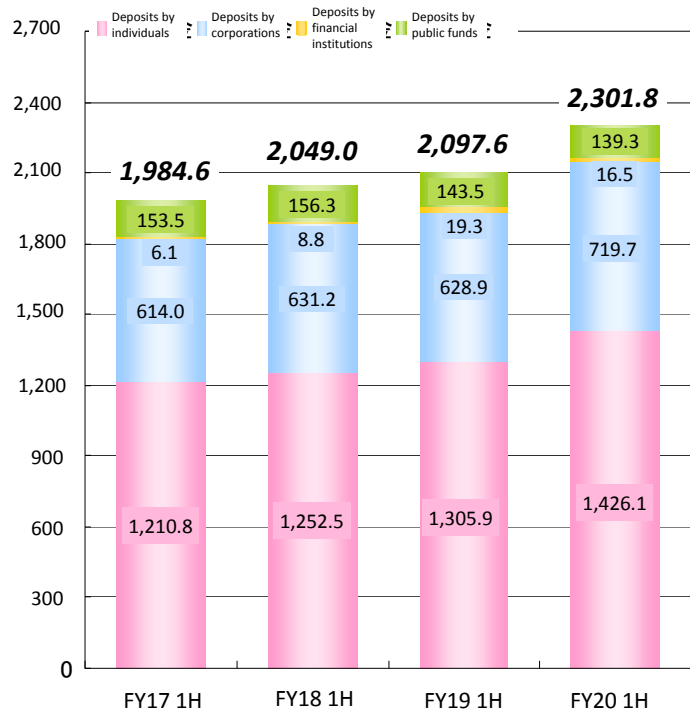
The term-end balance of total deposits rose by ¥204.1 billion (+9.73%) from the end of the 1H of the previous fiscal year, to ¥2,301.8 billion.

Deposits by individuals rose by ¥120.2 billion, deposits by corporations rose by ¥90.8 billion and public funds fell by ¥4.1 billion.

(¥ billion)

Term-end balance

Average balance



Factors for increase in deposits by individuals

- Yield from special cash payment
- Opening of new salary payment and pension accounts

Factors for increase in deposits by corporations

- Yield from financing for COVID-19 countermeasures and the Subsidy Program for Sustaining Businesses promoted by the government
- Enhanced function to trace funds by “Strong Relations Plan”

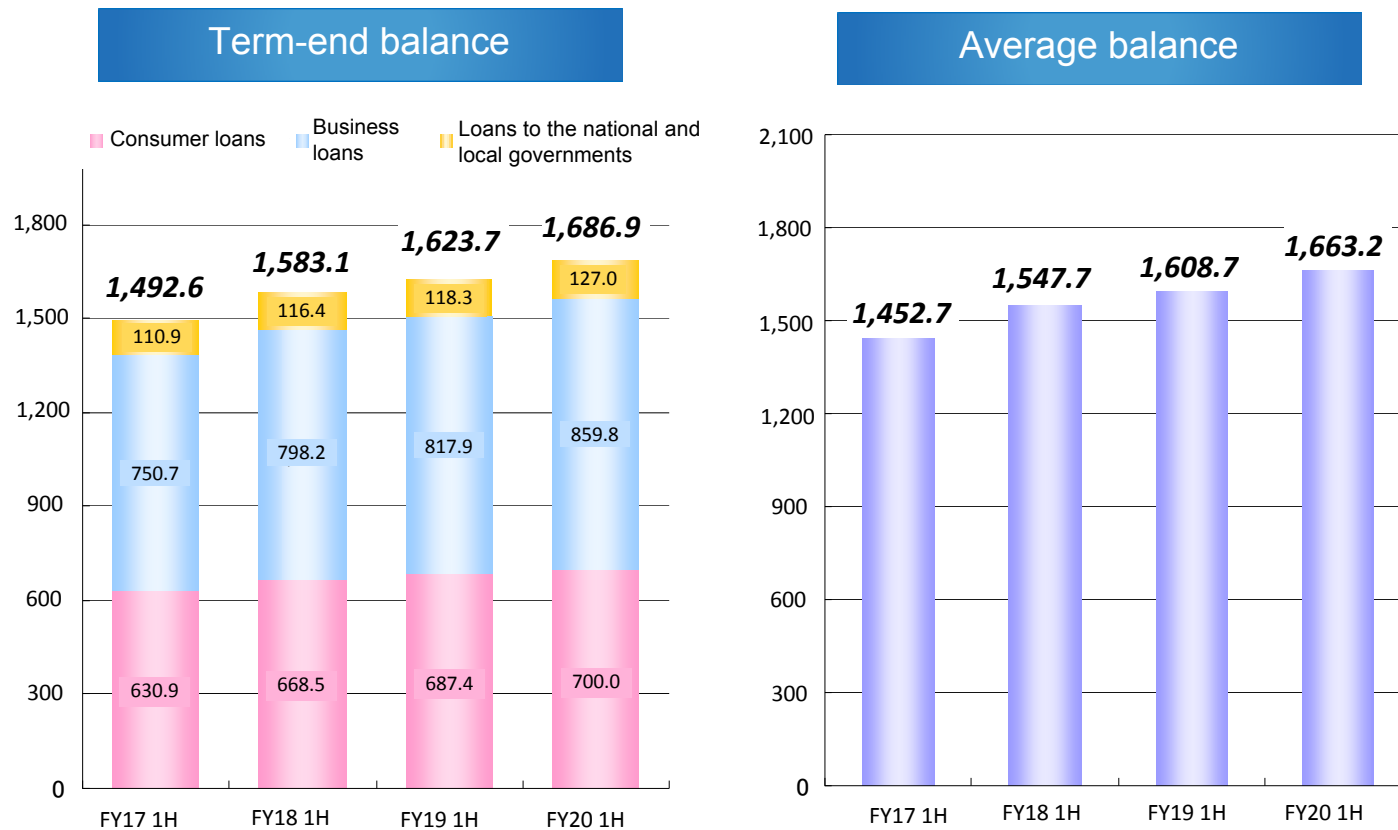
*Including trust accounts

Loans (Term-End Balance/Average Balance)

The term-end balance of total loans and bills discounted rose by ¥63.2 billion (+3.89%) from the end of the 1H of the previous fiscal year, to ¥1,686.9 billion.

Business loans and consumer loans rose by ¥41.8 billion and ¥12.6 billion, respectively.

(¥ billion)



Factors for increase in business loans

- Proactive lending to SMEs through
 - loans based on business evaluation
 - financing for COVID-19 countermeasures

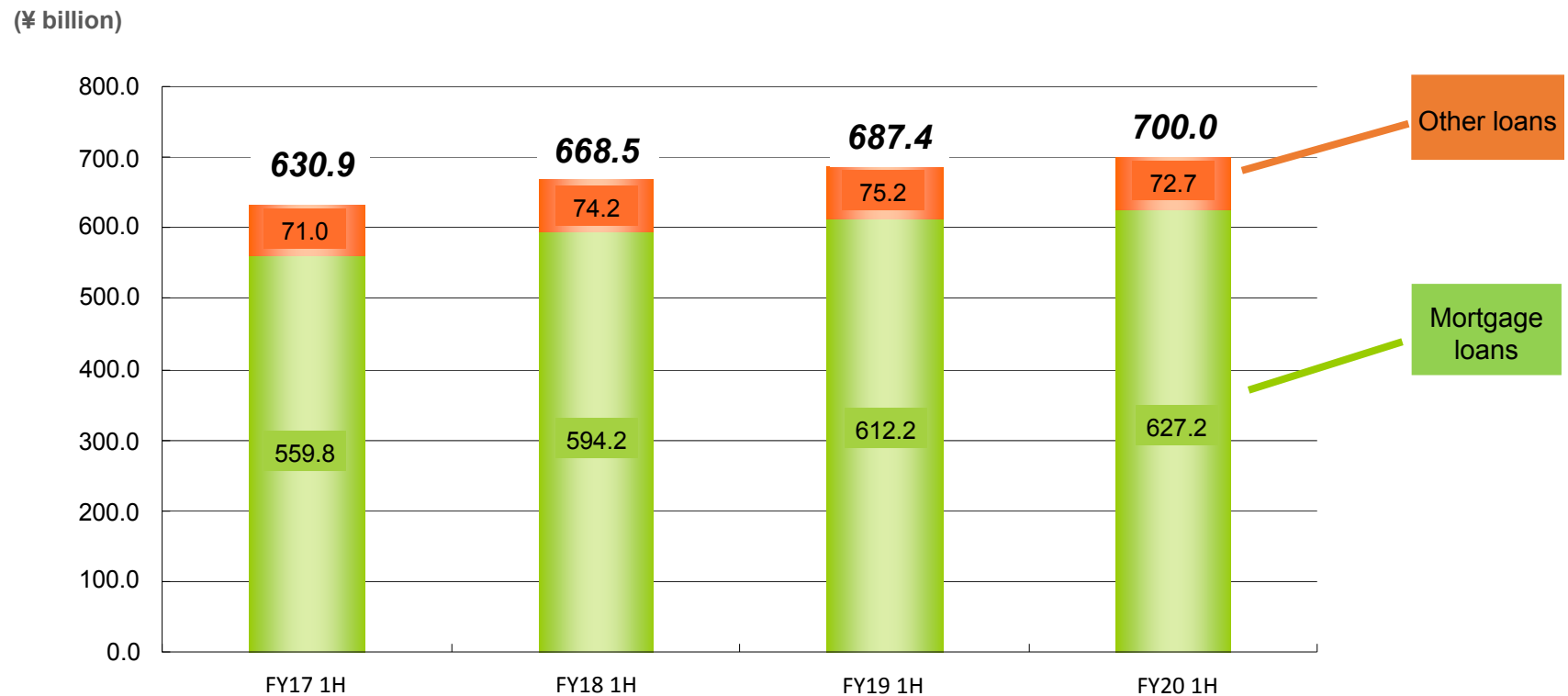
Factors for increase in consumer loans

- Mortgage loans

*Including trust accounts

Consumer Loans (Term-End Balance)

Consumer loans rose by ¥12.6 billion (+1.83%) year on year to ¥700.0 billion.
Of these, mortgage loans rose by ¥15.0 billion and other loans fell by ¥2.4 billion.



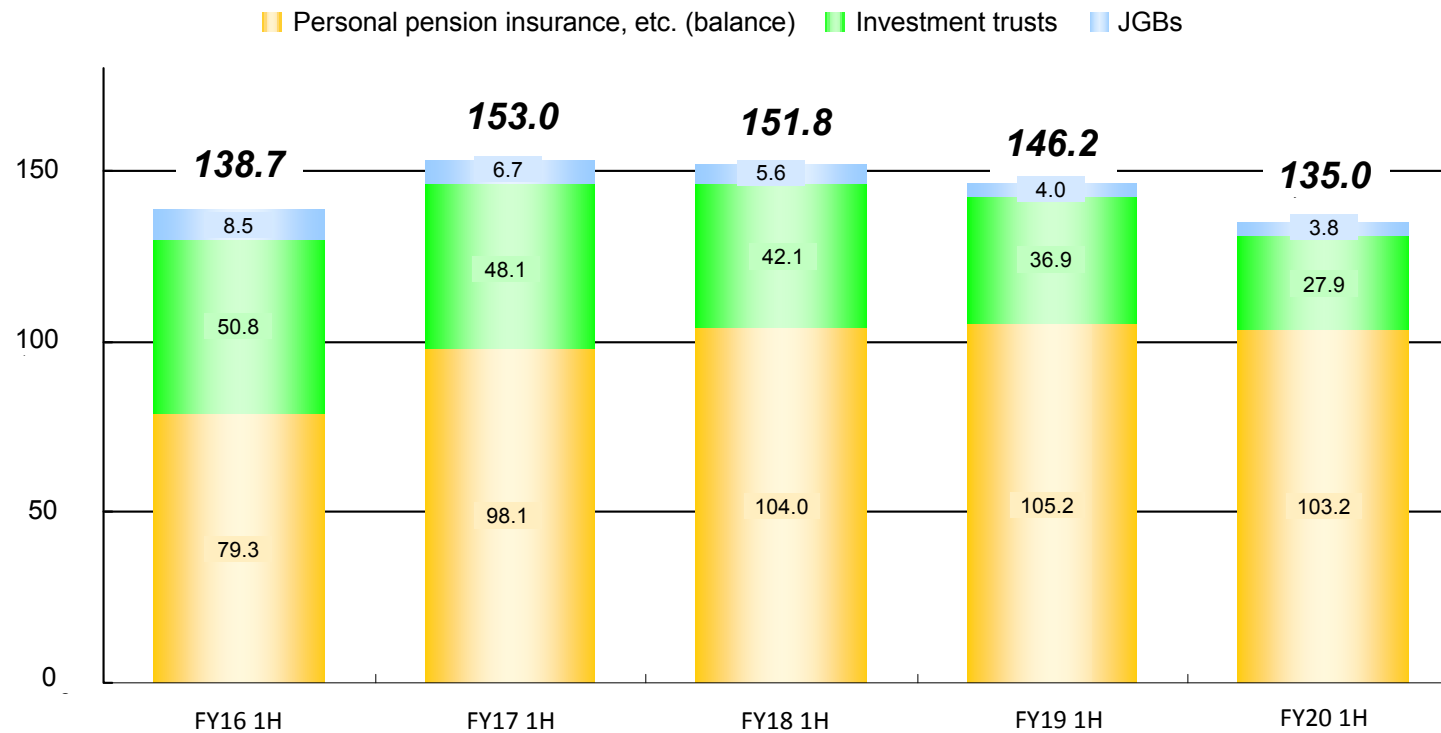
*Including trust accounts

*Consumer loans: Loans provided as funds closely tied to customer lifestyles. Typically referred to as personal loans or consumer loans

Assets in Custody

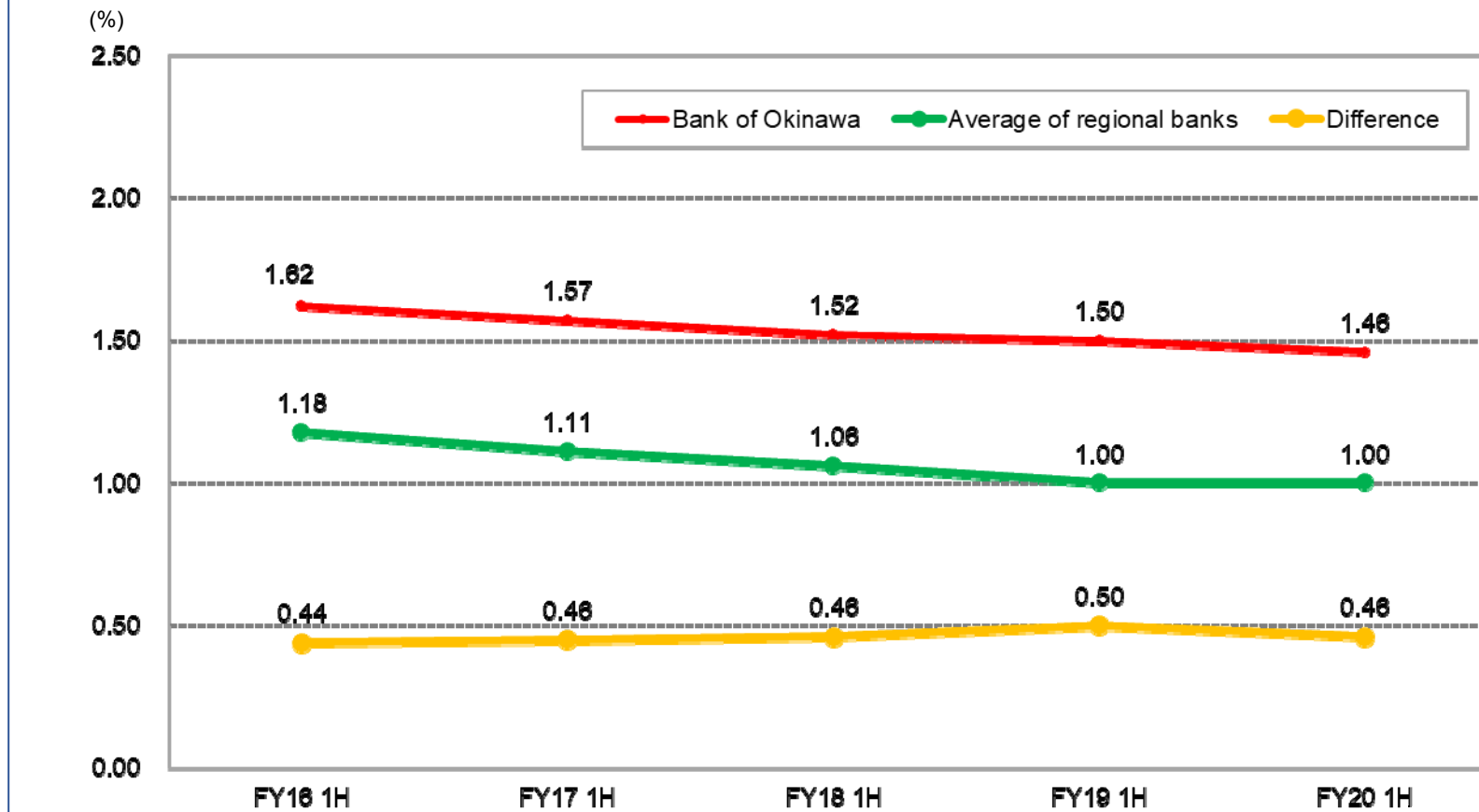
Assets in custody as a whole decreased by ¥11.2 billion year on year, due to decreases in all items.

(¥ billion)



Loan / Deposit Spreads (Domestic)

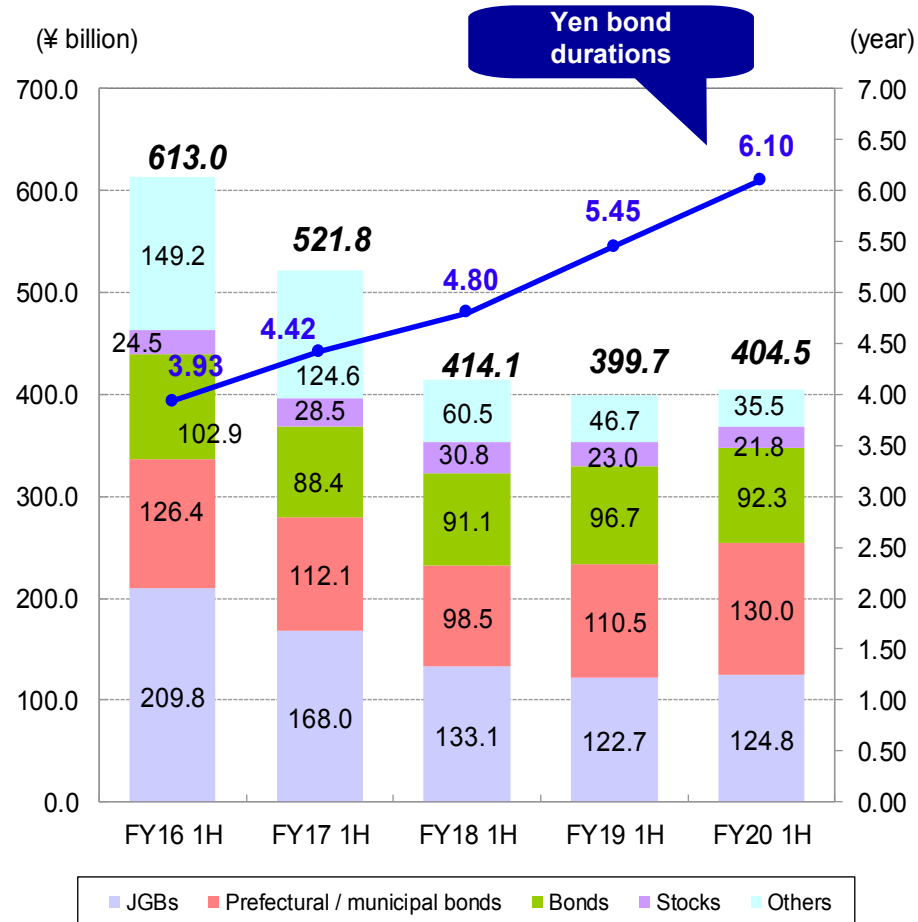
Loan / Deposit Spreads with Regional Bank Averages



Averages of regional banks are prepared by the Bank based on the financial results of regional banks posted on the website of the Regional Banks Association of Japan. However, because data for the 1H (ending September 30) is published in December of each year, the average of regional banks for FY19 is used for FY20 1H.

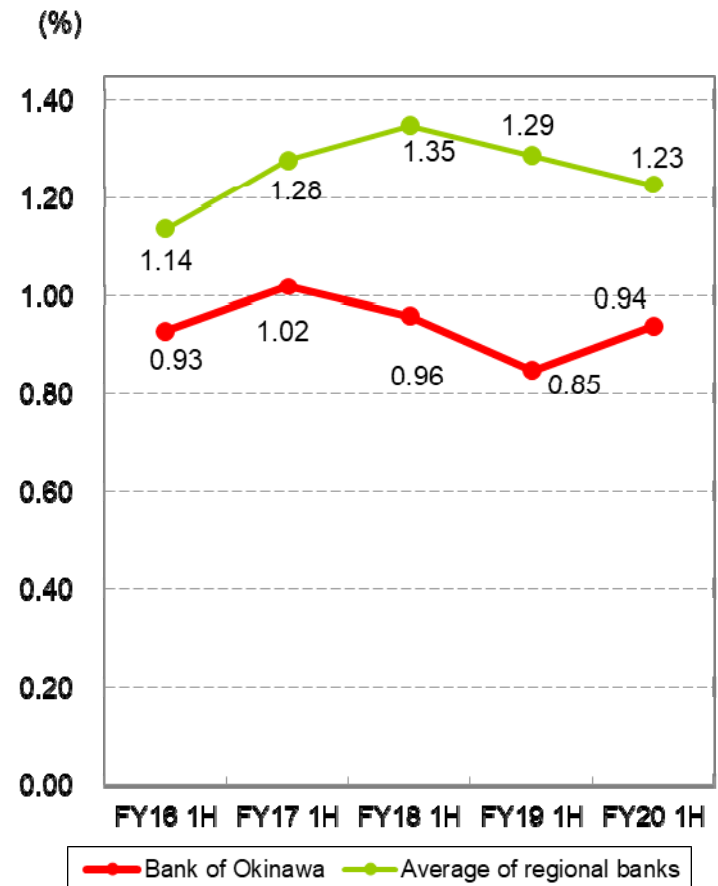
Securities (Term-End Balance)

Term-end balance and Yen bond durations



*The value of duration includes floating rate JGBs

Yield on securities

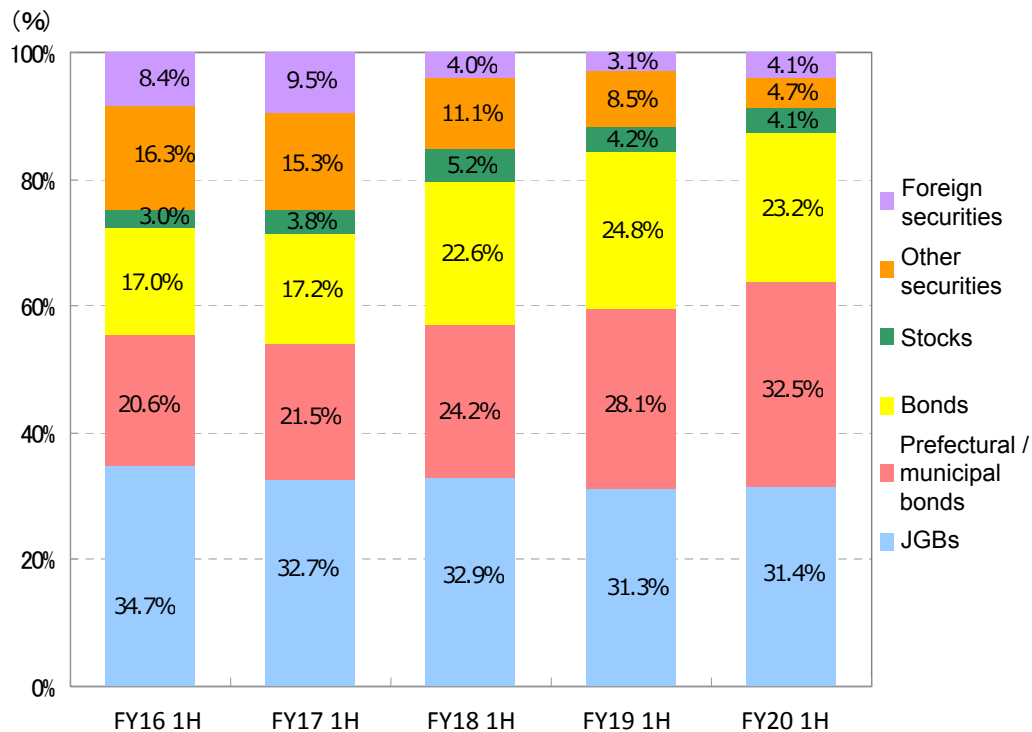


*Please see P11 for details on the calculation of averages of regional banks.

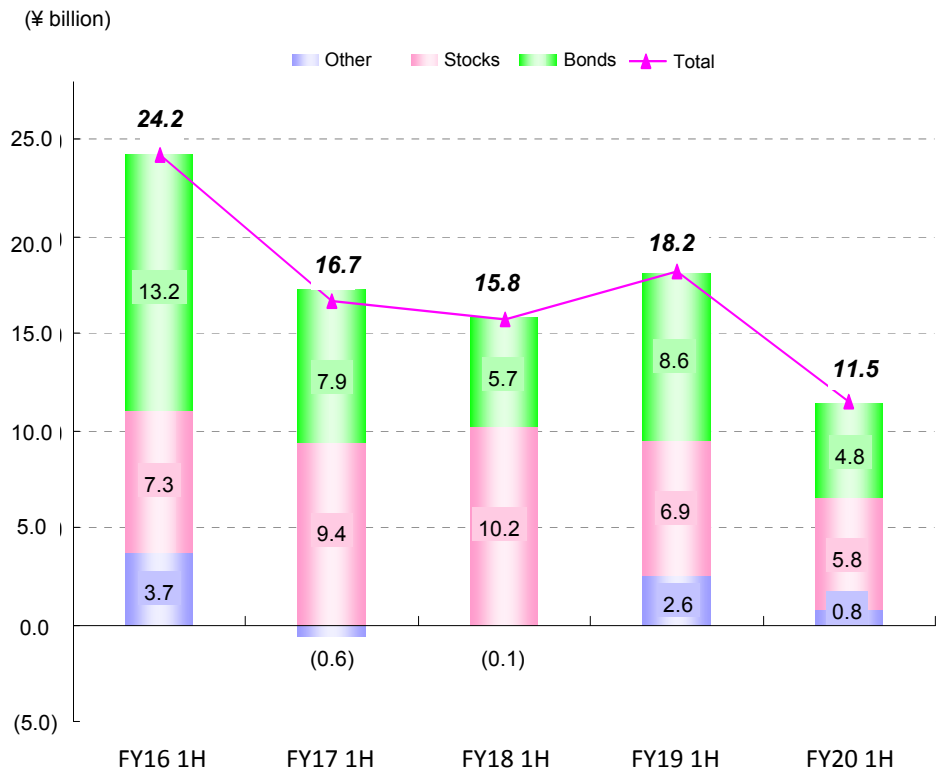
Securities Allocation and Changes in Valuation Gain/Loss

Continuation of rebalancing from yen bond holdings. Gain on valuation of securities decreased by ¥6.6 billion year on year, to ¥11.5 billion.

Securities composition percentage (acquisition cost at term-end)



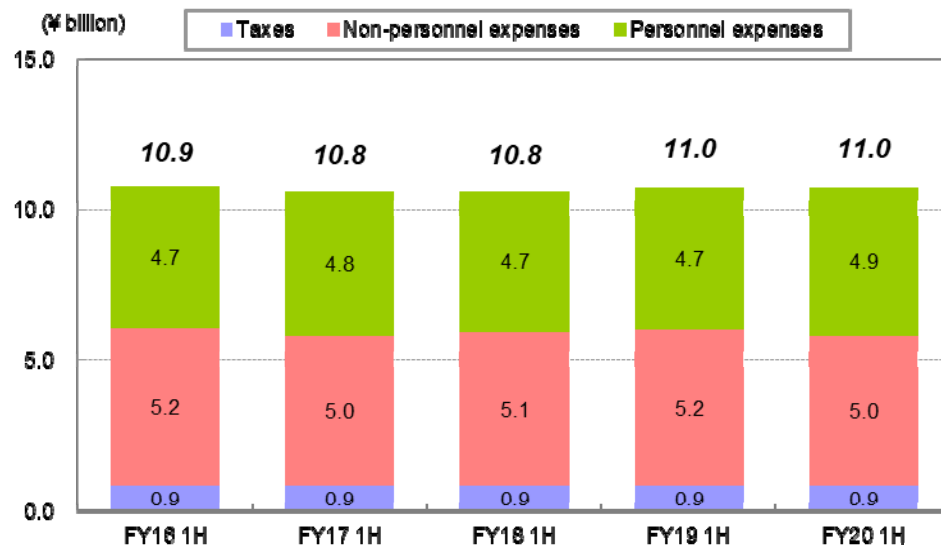
Gain (loss) on valuation of securities



Expenses

Expenses were roughly unchanged year on year, as non-personnel expenses decreased by ¥180 million year on year, while personnel expenses increased by ¥203 million year on year. Core OHR was 75.3%, up 0.2 percentage points year on year.

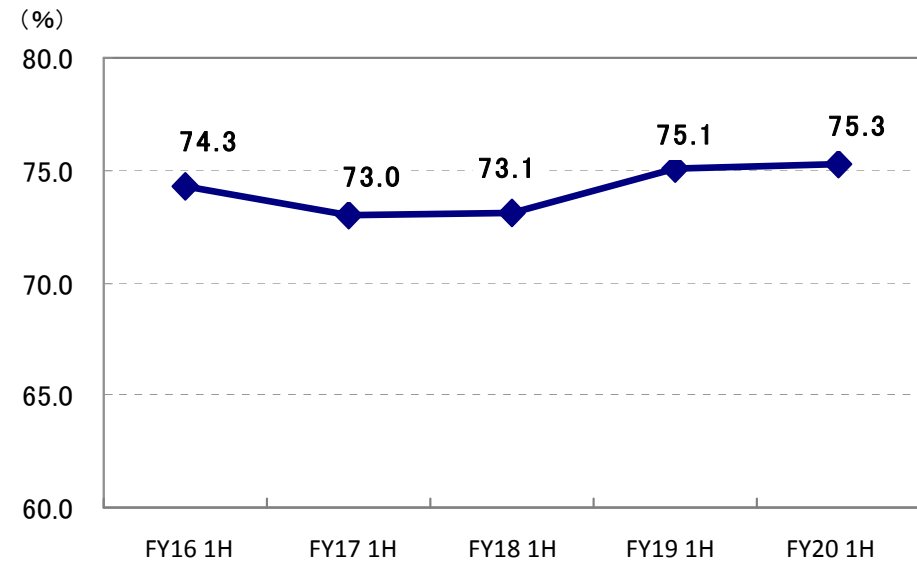
Expenses



Increase in personnel expenses

Decrease in non-personnel expenses

Core OHR



Increase in Core OHR

Capital Ratio

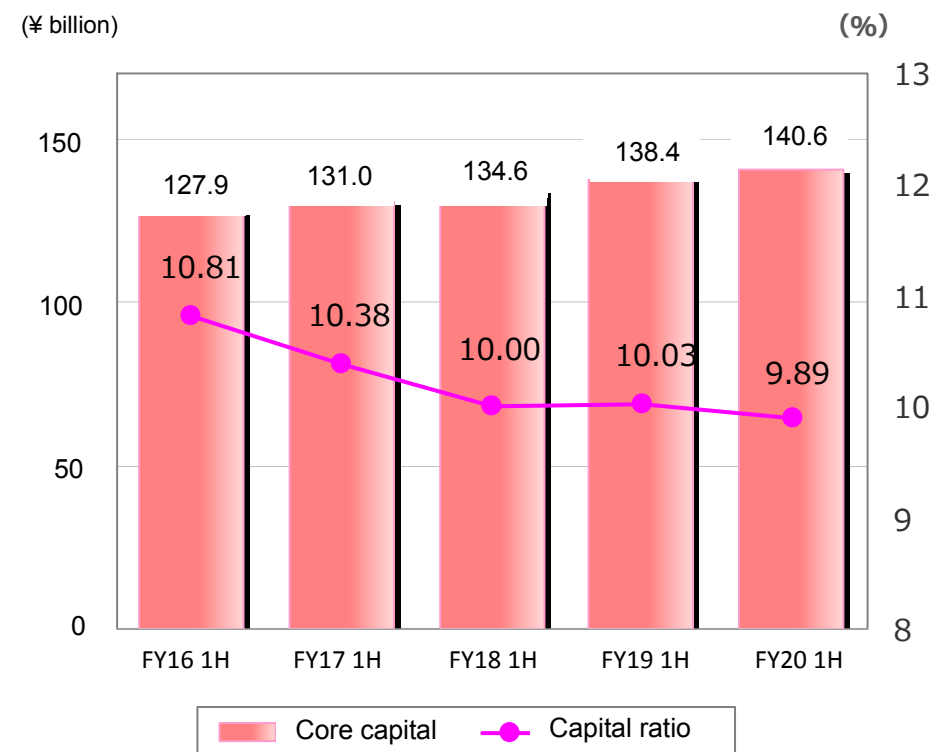
**Capital ratio (domestic standard) at 10.48% (consolidated), 9.89% (non-consolidated).
Although the capital ratio declined due to an increase in loans and bills discounted, soundness has been secured.**

	FY19 1H	FY20 1H	(¥ million, %) YoY change
[Consolidated]			
Capital ratio	10.67%	10.48%	(0.19)%
Capital	150,327	152,124	1,797
Basic elements of core capital	151,645	154,106	2,460
Adjustments to core capital (-)	1,318	1,981	662
Risk-weighted assets	1,407,978	1,450,590	42,612
[Non-consolidated]			
Capital ratio	10.03%	9.89%	(0.14)%
Capital	138,416	140,633	2,216
Basic elements of core capital	139,622	142,126	2,503
Adjustments to core capital (-)	1,205	1,492	286
Risk-weighted assets	1,379,605	1,421,603	41,998

Although capital ratio has decreased, soundness has been secured due to an increase in risk-weighted assets largely attributable to increases in loans to SMEs and individuals. The capital ratio of the Bank exceeds 9.46%, the average non-consolidated capital ratio of domestic standard regional banks in FY19.

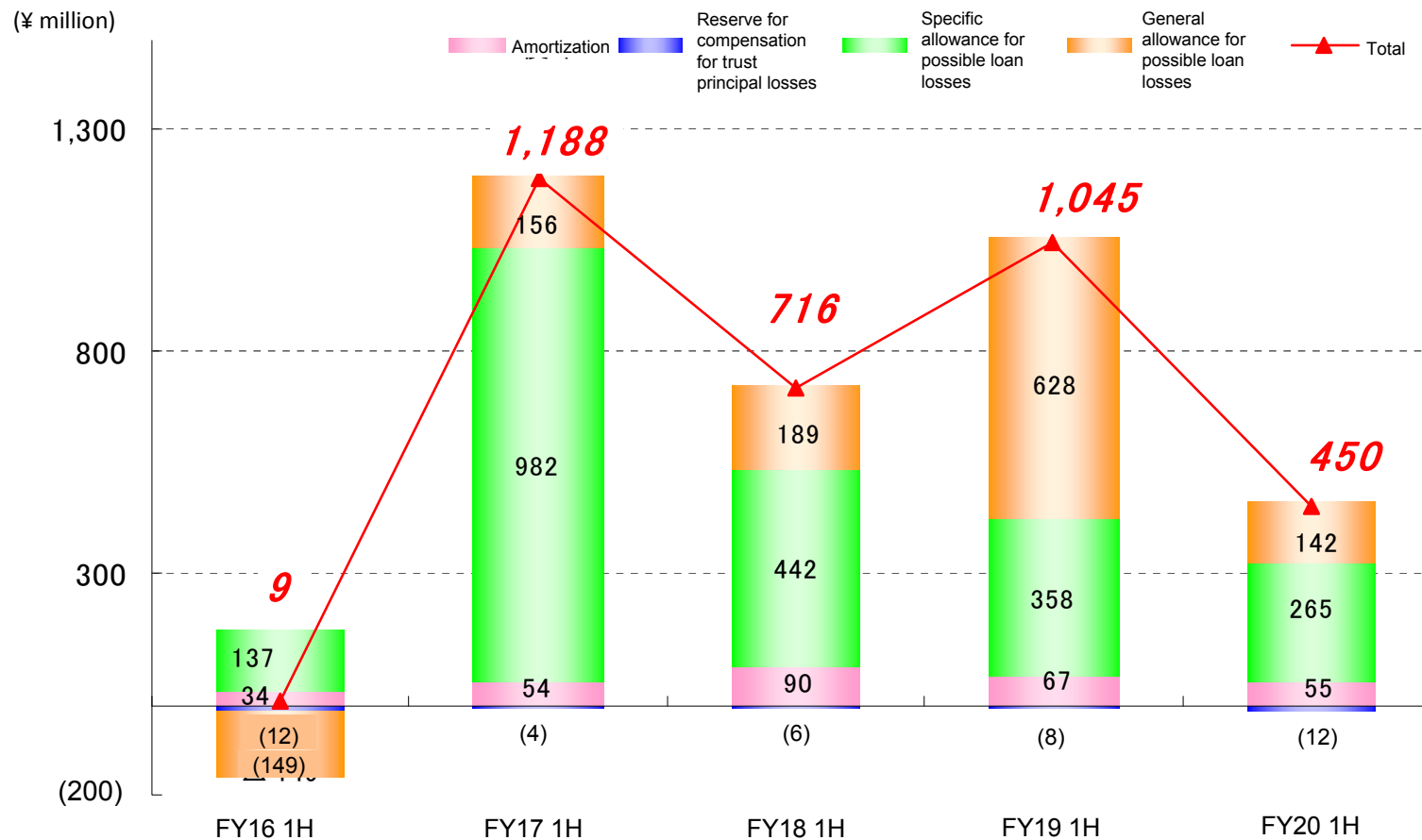
*Please see P11 for details on the calculation of averages of regional banks.

Trends in Capital and Capital Ratio (non-consolidated)



Credit Cost

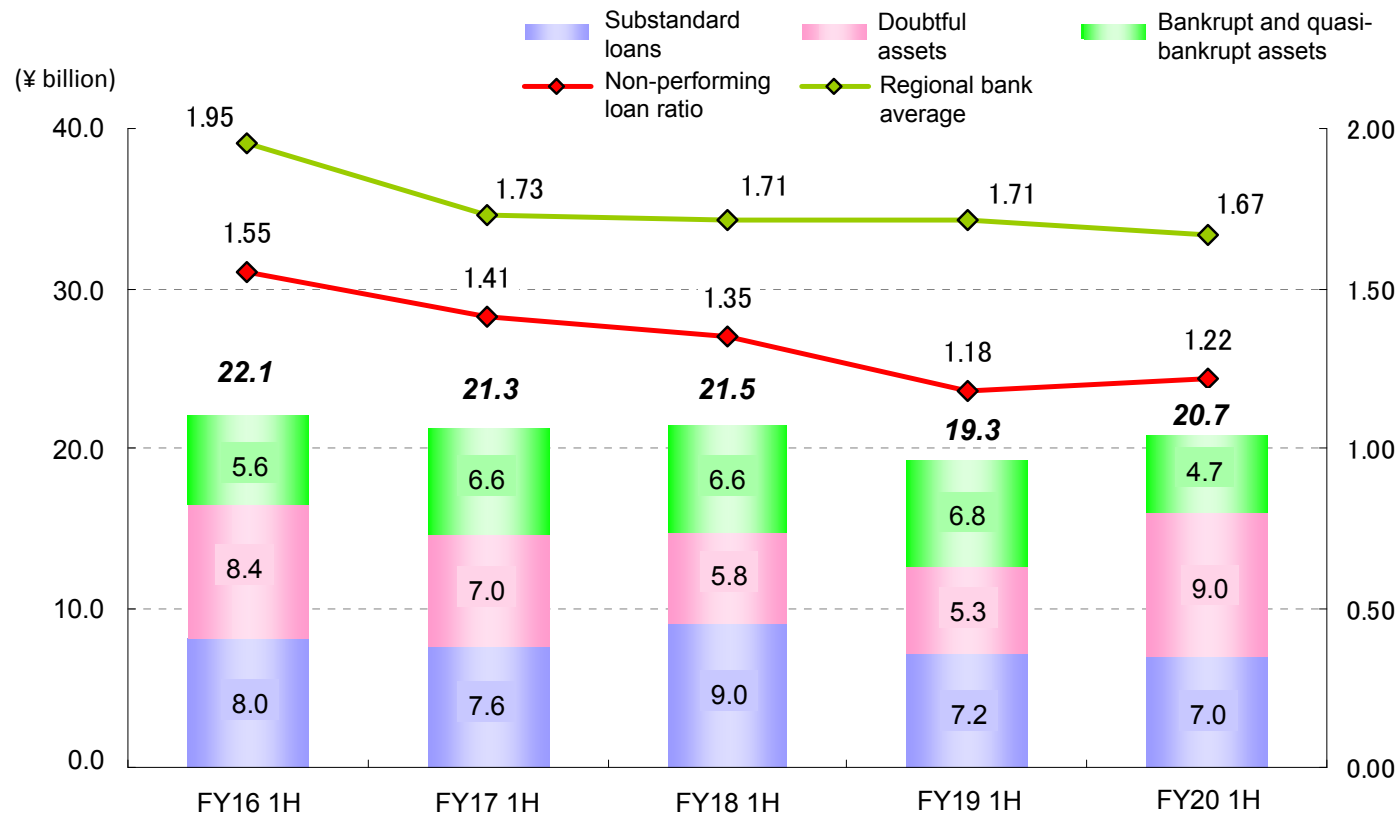
In overall terms, credit cost decreased by ¥595 million year on year to ¥450 million.



Mandatory Disclosure of Bad Debt under the Financial Reconstruction Law

¥20.7 billion (non-performing loan ratio: 1.22%)

The non-performing loan ratio remained at low level, below the regional bank average of 1.67%.



*Please see P11 for details on the calculation of averages of regional banks.

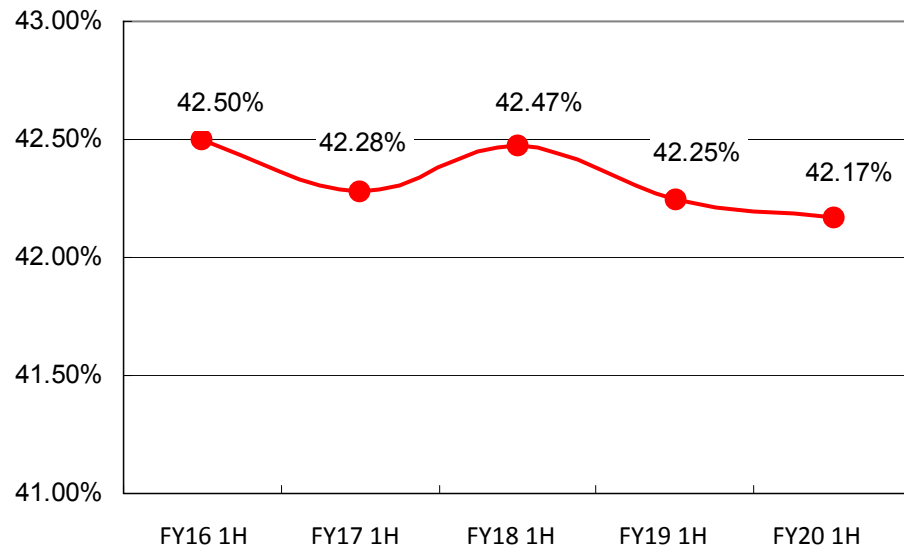
Our Share of the Market Served by the Three Okinawan Regional Banks

The share of loans and bills discounted and deposits both remained at a high level.

Loans and bills discounted: 42.17% (down 0.08 percentage points YoY)

Deposits: 42.08% (up 0.10 percentage points YoY)

Loans and bills discounted
(average balance)



Deposits
(average balance)

